Executive summary

Global growth prospects

After a strong recovery in 2021, global growth momentum is losing steam

Global economic recovery hinges on a delicate balance amid new waves of COVID-19 infections, persistent labour market challenges, lingering supply-chain constraints and rising inflationary pressures. After a global contraction of 3.4 per cent in 2020 and following an expansion of 5.5 per cent in 2021, the highest rate of growth in more than four decades, the world economy is projected to grow by 4 per cent in 2022 and 3.5 per cent in 2023. World gross product in 2021 was 1.9 per cent higher than in 2019 but still 3.3 per cent below the level of output projected prior to the pandemic. These aggregate growth figures, however, mask marked divergences in the pace of recovery across countries and regions.

Global recovery in output in 2021 was largely driven by robust consumer spending and some uptake in investment. Trade in goods bounced back, surpassing the pre-pandemic level. But growth momentum slowed considerably by the end of 2021 including in big economies like China, the European Union and the United States of America, as the effects of fiscal and monetary stimuli dissipated and major supply-chain disruptions emerged. Growth impetus generally has been weaker in most developing countries and economies in transition. While higher commodity prices have helped commodity-exporting countries at large, rising food and energy prices have triggered rapid inflation, particularly in the Commonwealth of Independent States (CIS) and Latin America and the Caribbean. Recovery has been especially slow in tourism-dependent economies, notably in the small island developing States.

Output losses relative to pre-pandemic projections will remain substantial in most developing countries

According to current forecasts, half of the world's economies will exceed pre-pandemic levels of output by at least 7 per cent in 2023. In East Asia and South Asia, average gross domestic product (GDP) in 2023 is projected to be 18.4 per cent above its 2019 level, compared to only 3.4 per cent in Latin America and the Caribbean. This does not necessarily mean that countries will fully regain their output relative to trend output growth before the pandemic. Despite a robust recovery, East Asia and South Asia's GDP in 2023 is projected to remain 1.7 per cent below the levels forecast prior to the pandemic. Africa and Latin America and the Caribbean are projected to see gaps of 5.5 and 4.2 per cent, respectively, compared to pre-pandemic projections. These persistent output gaps will exacerbate poverty and inequality and undermine sustainable development.

The global outlook faces major uncertainties and risks

Near-term global growth prospects face major risks with the pandemic far from over. With new waves of infections spreading quickly, the human and economic tolls are expected to increase. The growth outlook presented in this report therefore remains susceptible to an upsurge in cases and potential restrictions on economic activities. Limited access to vaccines poses a particular challenge to most developing countries and transition economies as a resurgence of the virus will likely affect them more than the developed countries, which have achieved relatively high vaccination coverage. By December 2021, the number of vaccine doses per 100 people in the least developed countries stood at just 23.9 against 147.4 in the developed countries. Limited supplies of vaccines from manufacturers and domestic fiscal constraints continue to limit access for many developing countries.

Rising inflationary pressures in major developed economies and a number of large developing countries present additional risks to recovery. Global headline inflation rose to an estimated 5.2 per cent in 2021, more than 2 percentage points above its trend rate in the past 10 years. The inflationary pressure was particularly pronounced in the United States, the euro area and Latin America and the Caribbean. A faster-than-expected tightening of global monetary conditions represents another major challenge. Any unexpected shifts in the monetary policy stances of the Federal Reserve in the United States could abruptly change investor expectations and trigger large adjustments in portfolio allocations, while significantly altering capital flows to developing countries.

International trade and investment registered mixed performance

International trade performance was mixed in 2021. Merchandise trade bounced back, with global trade in goods surpassing the pre-pandemic level. Trade in services has remained subdued, however, as many cross-border services, particularly international travel and tourism, have yet to recover. Our baseline scenario projects that global trade in goods and services will grow by 5.7 per cent in 2022 after an expansion of 11 per cent in 2021. Although trade in services is yet to recover, it is expected to gradually improve as external demand patterns normalize. The trade outlook remains susceptible to potential restrictions in economic activities, however, with the new Omicron variant of COVID-19 posing considerable risks and policy uncertainties.

In many parts of the world, investment has rebounded from the pandemic-induced slump, supported by an easing of COVID-19 restrictions, large fiscal stimulus packages and ultraloose monetary policies. After contracting by 2.7 per cent in 2020, global investment expanded an estimated 7.5 per cent in 2021, driven by strong albeit moderating growth in China and the United States. Beyond the headline figures, however, the global investment picture is more troubling. In many countries, the rebound is the result of favourable base effects and an exceptionally supportive fiscal and monetary policy environment. As financial conditions tighten and fiscal support is withdrawn, investment growth will likely return to the slow pace that prevailed before the pandemic. Medium-term investment prospects are particularly challenging for developing and transition economies that heavily depend on fossil fuels.

Labour market recovery is lagging

Employment levels are projected to remain well below pre-pandemic levels during 2022–2023 and possibly beyond. The pace of job creation has been largely inadequate to offset earlier employment losses although the picture varies across regions. While labour markets in developed countries are gradually improving as recovery gathers pace, employment growth in developing countries remains weak amid lower vaccination progress and limited stimulus spending. This divergence is projected to continue in the near-term. In developed economies, full employment recovery is projected in 2023 or in some cases in 2024. The developing economies, especially those in Africa, Latin America and the Caribbean, and Western Asia, are expected to see much slower recovery of jobs.

Global poverty is projected to remain at record highs

Adverse impacts of the pandemic on growth and employment have significantly undermined progress on global poverty reduction, dashing hopes of achieving the Sustainable Development Goal of ending extreme poverty. The number of people living in extreme poverty globally is projected to decrease slightly to 876 million in 2022 but is expected to remain well above pre-pandemic levels. Fast-developing economies in East Asia and South Asia and developed economies are expected to experience some poverty reduction. In contrast, poverty is forecast to further increase in the world's most vulnerable economies. Insufficient fiscal space and the slow recovery of employment in general will undermine poverty reduction in many developing countries in the near term. This is particularly the case in Africa, where the absolute number of people in poverty is anticipated to rise through 2023.

Higher inequality may emerge as a longer-term legacy of the COVID-19 crisis

Higher levels of inequality within and between countries are emerging as a longer-term consequence of the pandemic. For the vast majority of developing countries, a full recovery of GDP per capita will remain elusive. The gap between what they will achieve and what they would have achieved without the pandemic will persist well into 2023. In contrast, GDP per capita in the developed economies is expected to almost fully recover by 2023 relative to pre-pandemic projections.

Uneven recovery of employment and income across different population groups is increasing inequalities within countries. In particular, the crisis has exacerbated the gender divide, especially in developing countries, where women experienced a sharper decline in employment and labour force participation than men. Many women face serious barriers to re-entering the labour force, especially women with young children. Support for unpaid domestic work, including childcare, will remain crucial to reversing the gender divide in the recovery of jobs. More broadly, an inclusive and sustainable recovery will require putting gender considerations at the heart of social protection and labour market policies.

Fiscal asymmetries are shaping recovery and development prospects

Governments around the world will need to continue accommodative fiscal stances and avoid the temptations of premature fiscal consolidation. This will help ensure a robust, inclusive and sustainable recovery. Yet differences in fiscal space and structural constraints across countries will continue to limit the ability to support pandemic-related expenditures, including vaccination, as well as to provide relief to the most vulnerable and support the restoration of employment.

Fiscal and debt situations are extremely challenging for low-income developing countries. With very limited fiscal space to confront the pandemic and support recovery, they are taking resources to respond to the crisis from other critical areas, including public investment and education. Unsustainable external debt burdens, additional borrowing during the pandemic and increasing debt-servicing costs have put a rising number of countries on the verge of a debt crisis. They are in urgent need of further and coordinated international support for debt relief.

Reinvigorating multilateralism is essential to confront the health and climate crises

Reinvigorating multilateralism will remain critical to contain the pandemic and accelerate a robust and inclusive global recovery. Manifestly unequal access to vaccines and inadequate commitments to addressing debt challenges, however, illustrate that multilateralism still needs to rise to the challenge of steering a recovery that is broad-based and inclusive. Stronger and more ambitious international cooperation is an imperative to beat the pandemic, put the world back on track towards sustainable development and pursue bold climate action.

The pandemic triggered an unprecedented monetary policy response

Since the onset of COVID-19, countries around the world have rolled out extraordinary measures to mitigate adverse economic and financial impacts. The monetary response has broadly followed the playbook of the 2008–2009 global financial crisis but with unprecedented speed, scale and scope. Central banks aggressively cut short-term interest rates to increase liquidity, reduce borrowing costs and support economic activities. But coming on the heels of a decade of monetary accommodation, policy rates in developed economies quickly approached their effective lower bound. Developed country central banks thus relied heavily on unconventional monetary policy tools, particularly large-scale asset purchase programmes (APPs), to stabilize financial markets and stimulate recovery.

Asset purchase programmes have become a primary stimulus tool in developed countries

For many developed country central banks, APPs, often referred to as quantitative easing, have become the primary tool for monetary stimulus during the COVID-19 crisis. Since March 2020, the central banks of Japan, the United Kingdom, the United States and the euro area have added roughly \$10.2 trillion in security assets to their balance sheets, with total assets soaring to over \$25.9 trillion by the end of September 2021. Balance sheets have also risen sharply as a share of GDP. In the second quarter of 2021, total financial assets on central bank balance sheets ranged from 35 per cent of GDP in the United States to 130 per cent in Japan.

In implementing APPs, central banks purchased long-maturity securities such as government bonds or mortgage-backed securities from financial institutions. This provided liquidity to restore market confidence and financial stability, lower long-term borrowing costs, boost credit flows and reduce the cost of servicing existing debt. APPs are expected to stimulate aggregate demand, employment and economic growth while helping central banks achieve their inflation targets.

Many developing country central banks implemented asset purchase programmes for the first time

The pandemic saw a turning point for monetary policy in many developing countries, where central banks introduced APPs for the first time as they confronted large capital outflows, growing risks of financial instability and rising government financing costs. During 2020, 27 central banks – 10 in Africa, 9 in Asia and 8 in Latin America and the Caribbean – embarked on APPs. While these programmes have been broadly modelled after those in developed economies, they mainly aimed to boost market confidence and reduce market dysfunctionality and have been much smaller in scale and shorter in duration. By the second quarter of 2021, the Reserve Bank of India was the only major developing country central bank continuing significant asset purchases.

The programmes have been effective in addressing financial distress and kickstarting recovery…

Empirical evidence suggests that the APPs have been generally effective in addressing financial distress and supporting the recovery of economic activities in the early stages of the current crisis. During both the global financial crisis and the COVID-19 pandemic, the programmes helped to stabilize financial markets by providing liquidity, easing financial conditions and reducing uncertainty. They also lowered long-term borrowing costs, supporting a rebound in investment and consumption of durable goods and allowing countries to emerge quickly from recession.

…but the longer-term growth impacts of asset purchase programmes are less clear

There is growing evidence that when normal market functioning is restored and the economy is recovering, new purchases do not provide significant additional stimulus. The slow economic recovery from the global financial crisis suggests that the effectiveness of central bank asset purchases may not extend beyond the early recovery phase. Although monetary policies in developed countries were exceptionally accommodative in the 2010s, investment failed to pick up significantly. Abundant liquidity and ultralow borrowing costs often did not stimulate bank lending to the real economy. In some cases, ultralow interest rates and underpriced risks encouraged the emergence of "zombie firms" with low productivity. In several countries, especially the United States, firms have been using cheap and abundant liquidity for stock buy-backs rather than new investments. In the second quarter of 2021, buy-backs among companies listed on the Standard and Poor's (S&P) 500 index totalled $199 billion, close to an all-time high. Large-scale buy-backs have negatively affected investment and capital accumulation and reduced firms' abilities to cope with an economic downturn, especially if buy-backs are increasingly funded with new debt.

Prolonged ultraloose monetary policies have created macroeconomic vulnerabilities

A prolonged period of ultraloose monetary policies, with central banks pumping massive amounts of liquidity into financial markets to keep long-term interest rates low, has created significant macroeconomic and financial vulnerabilities. Large-scale APPs in developed countries have encouraged speculative behaviour among investors, with the search for higher yields triggering a borrowing binge in some developing economies. Public and publicly guaranteed debt in low- and lower-middle-income countries owed to private creditors rose by 264 per cent during 2010–2019, compared with a 7 per cent decline from 1998–2007. Excessive external borrowing, especially from private creditors, has exacerbated debt sustainability concerns for many developing countries.

Asset price bubbles pose a threat to financial stability

The additional liquidity from large-scale APPs has fuelled asset price inflation in virtually every asset class, including bond, equity and real estate markets. Stock prices have recorded especially large gains in the United States, where current valuations are approaching levels only seen prior to the bursting of the dot-com bubble in 2001. This has spurred fears of ever-expanding asset price bubbles as the disconnect between financial markets and economic fundamentals continues to widen. If monetary conditions were to shift abruptly, with major central banks quickly tapering asset purchases and raising policy rates, asset price bubbles would likely burst. Sharp market corrections could trigger a rising number of bankruptcies and inflict substantial economic damage on a fragile recovery, with adverse global spillover effects. Financial stability concerns are compounded by the higher-risk exposure of investors, as APPs have pushed market participants towards higher-yielding assets.

Higher asset prices have disproportionately benefited the wealthy

Evidence from developed countries suggests that APPs have had adverse distributional effects, disproportionately benefiting rich households and widening wealth inequalities. Capital gains from rising stock, bond or housing prices account for a significant share of total income for top earners, especially the top 1 per cent, but are negligible for groups in the bottom of the income distribution. In addition, wealthy households invest a much larger share of their portfolios in financial assets, especially equities, which have registered the strongest price gains since the onset of the current crisis. According to preliminary estimates, the top 1 per cent of income earners in the United States registered net wealth gains of about $3.5 million per person between the first quarter of 2020 and the second quarter of 2021. The bottom 20 per cent recorded an increase of only about $5,300 per person. The APPs also likely increased gender inequalities since women tend to have less wealth and income than men and are less likely to invest in risky assets. These findings underscore the need for central banks to pay attention to the distributional consequences of APPs.

Central banks face difficult trade-offs in unwinding policy support

While concerns about higher inflation after the global financial crisis proved unfounded, developed country central banks are now facing rising inflationary pressures. Rapid consumer price inflation from the strong recovery in demand and supply-side disruptions is pressuring monetary authorities to scale back, if not unwind, their APPs. This time, the tapering of asset purchases is happening at a much faster pace than after the global financial crisis. Unwinding and eventually exiting APPs will not be easy. Central banks, especially the Federal Reserve and the European Central Bank (ECB), face the challenge of scaling back bond purchase programmes without creating financial market turmoil and destabilizing global financial flows. The risk of policy mistakes, either by withdrawing stimulus too fast or by delaying the tightening for too long, is substantial. Beyond this immediate challenge, the more fundamental question is if – and if so, how quickly – central banks will reverse asset purchases and reduce the size of their balance sheets.

Rapidly rising interest rates could add considerable pressure to public finances

Debt service costs in several developed countries have become more sensitive to short-term interest rates in part due to APPs. If interest rates were to rise more sharply and rapidly than expected, public finances could come under pressure, especially in countries with high debt burdens. In the United States, for example, interest expenses accounted for about 10 per cent of total government revenues in 2020. This ratio is forecast to increase to about 14 per cent by 2030 in the baseline scenario but may soar to 22 per cent in 2030 under a higher interest rate scenario, which could lead to difficult choices on the expenditure side. The fiscal implications of a sudden unwinding of APPs could be equally consequential for developing countries, especially those with open capital accounts and high levels of external public debt. Higher interest rates following the end of APPs could trigger large capital outflows and further aggravate debt sustainability for many developing countries with significant levels of hard currency-denominated external debt. The "taper tantrum" of May 2013 serves as a reminder of these risks.

The crisis presents an opportunity for central banks to support climate action

To mitigate the adverse effects of APPs and facilitate the unwinding process, a set of complementary policies should be put in place. Macroprudential policies can play an important role in strengthening the resilience of the financial system. They can slow asset price growth and restrain excessive risk-taking, especially in sectors that pose greater risks to the financial system. Fiscal and taxation policy reforms can minimize the adverse side effects of APPs. More progressive income taxation, including through levies on capital gains and taxes on corporate stock buy-backs, can help to discourage speculative behaviour, reduce inequalities and improve macroeconomic outcomes. Finally, APPs offer central banks an opportunity to finance climate action, mitigate climate risks and help transition to a low-carbon economy. When unwinding their asset purchases, central banks may choose to hold on to assets of sectors and firms with lower carbon footprints. At the same time, central banks can develop new principles and guidelines to prioritize low-carbon assets for future APPs.

Regional outlook

The robust economic expansion of the United States has slowed amid mounting inflationary pressures

In the United States, robust growth in 2021, estimated at 5.5 per cent, is forecast to decelerate to 3.5 per cent in 2022. Recovery has largely depended on domestic demand; external demand has been weak. Rapid growth in domestic demand has faced increasing supply-side constraints due to global supply-chain disruptions and logistics backlogs, particularly the shortage of industrial inputs, including semiconductors. Resulting inflationary pressures are projected to persist well into 2022 given persistent labour shortages, which may worsen if a new wave of infection takes hold. The consumption-driven recovery will lose momentum once the effects of fiscal stimulus on household spending dissipate. Uncertainties over the COVID-19 pandemic, mounting inflationary pressures and associated monetary policy decisions impact economic prospects.

The economy of the European Union confronts strong headwinds and surging inflation

The economy of the European Union returned to growth in 2021 along with the gradual easing of containment measures, continuation of accommodative macroeconomic policies and a sharp rebound in leading export destinations, particularly China and the United States. Following a 6 per cent contraction in 2020, the region's GDP grew by an estimated 4.7 per cent in 2021. The region faced serious headwinds in the second half of the year, however, fanned by supply-chain disruptions and shortages of workers. The automotive industry, crucially important for many European Union countries, had to scale back production due to semiconductor shortages. In late 2021, another wave of the pandemic prompted the reintroduction of containment measures that are disrupting many service sector activities. Inflation in the second half of the year surged to levels not seen for years; however, the ECB, while scaling back its APP, is likely to maintain its low borrowing costs at least until early 2023. Growth is expected to moderate to 3.9 per cent in 2022 due to the lower base effect and tapering of ECB asset purchases but a massive recovery plan financed by joint debt issuance will likely improve medium-term growth prospects.

China's economy faces near-term challenges, while pursuing high-quality growth

China's economy expanded an estimated 7.8 per cent in 2021, with growth projected to moderate to 5.2 per cent in 2022. Rapid recovery in the first half of 2021, driven by strong exports due to the reopening of developed countries and robust investment, has lost momentum. The reintroduction of restrictive measures under the "zero-COVID-19" policy has taken a toll on services and consumption while policyinduced property market cooling and temporary power rationing to phase out fossil fuels have weighed on investment. At the same time, the default of a large real estate firm has shaken financial markets and confidence in the sector. The Government still has multiple policy tools to stimulate economic activity, however, as low inflation offers room for monetary easing. A swift recovery from the pandemic has boosted government revenues for more targeted fiscal spending. Going forward, China's transition towards development driven by consumption and higher-end manufacturing will lead to more sustainable but slower growth, with significant international spillover effects.

Lifted restrictions and higher commodity prices underpin recovery in the Commonwealth of Independent States and Georgia; economic activity rebounds in South-Eastern Europe

Economic growth resumed in the CIS area in 2021 as mobility and activity restrictions were eased or removed, domestic demand strengthened and the external environment became more favourable, including through sharp increases in commodity prices. The aggregate GDP of the CIS and Georgia, after shrinking by 2.6 per cent in 2020, expanded by an estimated 4.3 per cent in 2021. Growth is projected to moderate to 3.2 per cent in 2022. In small energy-importing countries, recovery in remittance flows and tourism revenues supported economic activities. Labour market conditions improved significantly. Most of the CIS area experienced a strong upsurge in inflation in 2021, however, spurred by supply disruptions, higher food and energy prices, stronger demand and in some cases currency depreciations. Monetary authorities in almost all countries reacted to the inflationary spike with policy tightening. Governments have taken various measures to limit price increases and mitigate impacts on their populations. The area's economic outlook has multiple downside risks, such as increased volatility in commodity prices, slow progress in vaccination against COVID-19, mounting geopolitical tensions and rising risks in the banking sector. The broad recovery in the European Union along with increasing tourism demand accelerated recovery of the South-Eastern European economies in 2021. But the pace will likely weaken in 2022 as governments scale back fiscal support amid debt sustainability concerns.

New COVID-19 waves and an uncertain policy environment cloud Africa's recovery prospects

In Africa, aggregate GDP is projected to expand by 4.0 per cent in 2022, slightly up from an estimated 3.8 per cent in 2021. While improving vaccination rates and terms of trade will support more robust economic growth, the continent will remain far below its pre-pandemic output trends. Moreover, a nascent recovery will remain fragile and subject to risks from recurrent waves of COVID-19 infection as most of the region's population remains unvaccinated. Political instability and conflict in many subregions will further aggravate existing problems and undermine economic potential. The poverty rate is projected to remain elevated, with an increase in the absolute number of people in extreme poverty. For commodity exporters, higher commodity prices have provided much needed fiscal space.

In contrast, tourism-dependent African countries face a much longer path to recovery. Countries across the region are struggling with elevated debt burdens and rising interest payments. These will limit fiscal space to support economic recovery and implement the 2030 Agenda for Sustainable Development, underscoring the critical role of multilateral support, including to expedite vaccine distribution and facilitate debt relief.

After solid economic recovery, downside risks are rising for East Asia

East Asian economies have rebounded from the worst of the pandemic with GDP growth estimated at 6.7 per cent in 2021 after slowing to 1 per cent in 2020. Recovery is, however, still in the early stages, and the resurgence of COVID-19 cases has disrupted prospects otherwise supported by strong policy stimulus and external demand. More people in extreme poverty, a slow labour market recovery and rising climate risks will continue to inhibit progress on the 2030 Agenda for Sustainable Development. Looking ahead, the region's economic growth is forecast to moderate to 4.9 per cent in 2022 as base effects disappear. Weaker export demand, prolonged supply-side challenges, rising concerns around financial instability and the possibility of a sharper-than-expected slowdown in China's economy, all amid a lingering pandemic with new variants, pose downside risks. Containing the pandemic will remain a policy priority in the near term; macroeconomic policies should remain accommodative and targeted to ensure an inclusive and sustainable recovery.

South Asia's recovery gathers momentum but more constrained policy space and downside risks lie ahead

The recovery continues to gain momentum in South Asia amid contained COVID-19 infections and higher mobility, robust remittance inflows and broadly supportive macroeconomic policy stances. After an estimated expansion of 7.4 per cent in 2021, regional GDP is projected to grow at a more moderate pace of 5.9 per cent in 2022. The recovery, however, is still fragile, uneven and subject to pandemic-related uncertainties and downside risks. Labour market recovery is lagging, indicating severe socioeconomic challenges for large segments of the population. Stalling and reversing the recent rise in poverty and inequality largely depends on achieving robust, sustained and inclusive growth. A lasting recovery moving forward may prove challenging, however, as fiscal and monetary policy space become more constrained and global financial conditions tighten. Policymakers will need to maintain critical support for recovery and job creation such as by prioritizing public infrastructure and green investments that crowd-in private finance.

Uneven recovery among Western Asian economies points to further polarization

In Western Asia, the region's GDP grew by an estimated 4.7 per cent in 2021 after contracting by 3.4 per cent in 2020. Economic recovery has been led mainly by growth in domestic demand. With the relaxation of pandemic control measures and progress on vaccination, economic activities showed rapid recovery in most economies in the region in the second half of 2021. In parallel with robust domestic demand, the unemployment rate declined towards pre-pandemic levels in Israel, Saudi Arabia and Turkey. Employment recovery has been slower in other countries and the employment situation remains dire in Iraq, Lebanon, the State of Palestine, the Syrian Arab Republic and Yemen. A strong recovery is forecast to continue, mainly in oil-exporting countries given the expected increase in crude oil production. Regional GDP growth is projected to accelerate to 4.8 per cent in 2022. Recovery remains fragile, however, in non-oil exporting middle- and low-income countries.

Latin America and the Caribbean's recovery is losing traction amid fading external tailwinds and tighter macroeconomic policies

Latin America and the Caribbean's economy rebounded from the COVID-19 crisis amid favourable external conditions, successful vaccine roll-outs and strong domestic policy support. After contracting by a record 7.4 per cent in 2020, the region's GDP grew by an estimated 6.5 per cent in 2021. But the pandemic threatens to leave lasting scars on the region's economies, including higher unemployment and poverty, greater inequality and larger debt burdens. Regional GDP growth is projected to slow sharply to 2.2 per cent in 2022 as tailwinds from higher commodity prices and buoyant demand from China and the United States are expected to fade. At the same time, tighter monetary and fiscal policies will weigh on domestic demand, with central banks raising policy rates to combat soaring inflation and governments increasingly shifting from fiscal stimulus to the consolidation of public finances. The regional outlook remains subject to significant downside risks, including the spread of new COVID-19 variants, a sharp tightening of global financial conditions, and mounting social and political instability.

In summary, the world has emerged from the depths of a paralysing economic crisis. The recovery in economic output and the labour market remains uneven across countries due to large differences in vaccine access and policy space. At the same time, the crisis has undermined and reversed some hard-won achievements in realizing the 2030 Agenda for Sustainable Development. The past two years have seen sharply rising numbers of people in extreme poverty, widening gender gaps in labour markets, and escalating income and wealth inequality, within and between countries. Going forward, the fragile recovery faces strong headwinds amid the spread of the new variants of COVID-19, persistent labour market challenges, lingering supply-chain constraints and rising inflationary pressures. Policymakers confront difficult policy trade-offs, as countries aim to move from a rebound in output to a robust, inclusive and sustainable recovery. This will require better targeted and coordinated monetary, fiscal, and labour market policies, supported by new technologies. The international community needs to strengthen and reinvigorate multilateralism to ensure equal and universal access to vaccines, address debt challenges, and accelerate the transition towards low-carbon economies.